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ABSTRACT

This publication is a brief digest of a longer monograph on compensation policies for higher education faculty and the impact of these policies on the professoriate and the higher education enterprise. An early section describes the monograph's treatment of the current financial turbulence in higher education that has caused many institutions to cut budgets and led to lowered expectations and demands of faculty on their institutions. Monograph analysis of compensation structure covers linking compensation to institutional mission, collective bargaining agreements, retirement issues and early retirement programs and incentives. A description of estimates regarding the academic labor force of the future notes that impending retirements are likely to reduce the numbers of professors at senior levels by as much as 40 percent, that replacements may not be in the pipeline, and that external market issues and internal market issues are important determinants of compensation policy. The monograph looks closely at how compensation is used to motivate, recruit, and retain faculty, how supplementary compensation is used, and other related issues. A summary of the monograph's look at fair compensation covers the importance of equity, federal and state legislation affecting compensation, and salary discrimination issues. A final section describes how the monograph treats developing effective compensation systems. (JB)

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The well-being of the professoriat depends on a solid financial foundation in institutions of higher education. Simply put, unless adequate remuneration is available, talented individuals will seek other employment--both faculty who are currently in the professoriat and those who might be recruited to undergo the preparation and enter the professoriat subsequently.

During the 1970s and 1980s, faculty salaries declined sharply, in both real and relative comparisons, and the decline was combined with a widening dispersion of salaries across disciplines. It has resulted in a variety of inequities and discontinuities for individuals and for institutions. In light of an increasingly dynamic job market for faculty in the 1990s, it is important that both faculty and institutional decision makers understand what is involved in compensation policies and practices to improve and preserve the professoriat and the higher education enterprise it serves.

What Is the Current Context?

The current context for decisions concerning compensation is extremely turbulent. The financial situation of many states has reached crisis levels. Public higher education is under duress. Many institutions have had to make deep cuts in their budgets--as much as 15 to 20 percent--and no relief is in sight. Because personnel costs amount to approximately 80 percent of most institutions' operating budgets, there is virtually no way the faculty can be sheltered from such cuts.

In addition, today's faculty are far more diverse, certainly more sophisticated about the marketplace, and more informed of the general state of affairs affecting their institutions and the professoriat generally than were their earlier counterparts. In return for their contributions, they expect institutional leaders to provide wise policy, humane practice, and dedicated service in return. Compensation policy and practice are at the center of an institution's relationship with its faculty. Indeed, compensation policy and practice reflect the essential mission and philosophy of each institution through what it rewards, whom it rewards, and how it treats its most important human resource.

How Is Compensation Structured?

Compensation usually refers to salary plus other monetary payments or quasi-monetary payments, such as fringe benefits. It might also include nonmonetary compensation like leaves of absence, released time, and sometimes even laboratory or other work space. Most depictions of faculty compensation tend to focus exclusively on the salary portion. *Making Sense of the Dollars: The Costs and Uses of Faculty Compensation* takes a more comprehensive approach, however, examining the structure of compensation and key decision points involved in determining institutionally appropriate structures of compensation, including linking compensation to institutional mission. While not a factor at every institution, collective bargaining agreements play important roles when they do exist. Retirement issues and their impact on the structure of compensation, including early retirement programs and incentives, are important also.

How Do the Academic Labor Market and Other Factors Affect Compensation?

Recent federal legislation uncapping retirement has called attention to the age structure of the academic work force and indirectly to how faculty are remunerated. Projections for the academic work force for 2000 make two principal observations: (1) Senior levels of faculty will be reduced as much as 40 percent because of retirements; and (2) replacements for these departing scholars are not entirely evident.

The overarching perspective is one that considers institutions as markets and the ability of various types of institutions to preserve and protect their mission and direction through practices of hiring and compensation. External market issues affect institutional polices and practices regarding compensation, including dimensions of the current and prospective faculty labor pools and the dispersion of salaries across academic and nonacademic markets. Internal market issues include the role of faculty as independent professionals within a multidisciplinary market and new contractual and compensatory arrangements for faculty, including retirement.

How Is Compensation Used?

Institutional quality is inextricably bound to the quality of the faculty, yet hiring and retaining high-quality faculty members are likely to become increasingly difficult in the years ahead. Does compensation motivate faculty? What is the rationale behind using merit pay to reward

productivity, and are teaching, research, and service rewarded differently? How is compensation used to reward seniority, and what compensation practices reward faculty activity across the career span? How is compensation used to enhance recruitment and retention, and what institutional issues are associated with the use of supplemental compensation? *Making Sense of the Dollars* examines these questions and provides some answers for faculty and administrators.

Are Faculty Paid Fairly?

Equity is a central concept in pay systems generally. Inequitable policies and practices of compensation can result in poor use of human resources, individual frustration and discord, and lower institutional productivity.

Compensation policy and practice are underwritten by several important federal laws and regulations, and state statutes. The Equal Pay Act of 1963 and Title VII of the Civil Rights Act of 1964 are particularly defining. Considerable controversy surrounds the idea of equity and its application to various individuals and groups within higher education. Claims of salary discrimination have played a crucial role in shaping the nature of the debate since these federal laws were passed. Considerable research has focused on three aspects of salary discrimination: studies that document the existence of salary discrimination; studies that attempt to explain or examine the causes of salary inequity; and research concerning various methodological tools used to prove or disprove salary discrimination nationally and on campus.

How Can We Build Effective Compensation Systems?

Academic compensation has evolved piecemeal in response to changing markets, individual expectations and behaviors, and institutional circumstances. It is a highly complex system that nevertheless strives to achieve a reasonable balance between the faculty's personal and professional needs and a college's or university's mission, goals, and resources. A set of policy dimensions forms the foundation of most collegiate compensation systems. These policies address internal consistency, external competitiveness, individual contributions, and the way the system of compensation is administered.

Increasing external pressure for colleges and universities to be accountable and open in their operations will sooner or later affect their compensation systems. While many institutions have open salary information, others do not. Some have clearly written policies and procedures; others do not. In the long run, the productivity and satisfaction of the faculty—indeed, the overall quality of the institution—will depend on its compensation system and the wisdom with which it is administered.

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